

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ADP-00 FMC-04 COME-00 L-03 TRSE-00 OMB-01

CIAE-00 INR-10 NSAE-00 RSC-01 RSR-01 /043 W

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R 260913 Z APR 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 3434

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E. O. 11652: N/ A

TAGS: ETRN, JA

SUBJECT: SANKO EFFORTS TO GAIN CONTROL OF JAPAN LINES

REF: TOKYO 4040

1. REPORTS THAT JAPAN LINE (JL) HAD REACHED AGREEMENT ON REACQUISITION OF JL STOCK HELD BY SANKO LINE, AND ON A BUSINESS TIE- UP BETWEEN THE TWO COMPANIES APPEARED IN NUMBER OF JAPANESE NEWSPAPERS APRIL 25-26. PRESS REPORTS INDICATED THAT OF 150 MILLION JL SHARES IT NOW HOLDS, SANKO WILL SELL BACK 140 MILLION SHARES AT PRICE OF ABOUT 380 YEN PER SHARE. THE TEN MILLION SHARES TO BE RETAINED BY SANKO REPRESENT APPROXIMATELY THREE PERCENT OF TOTAL OUTSTANDING SHARES (354,225,000). OFFICIALS OF BOTH COMPANIES DECLINED TO ELABORATE ON NATURE OF PROPOSED BUSINESS TIE- UP.

2. EMBOFF DISCUSSED MATTER WITH MIYAZAKI (HEAD OF GEN ADMIN DEPT OF JAPAN LINES) APRIL 26. MIYAZAKI CONFIRMED SUBSTANCE OF PRESS REPORTS BUT NOTED THAT MANY DETAILS OF ARRANGEMENT BOTH FOR REACQUISITION OF STOCK AND BUSINESS RELATIONSHIP MUST STILL BE WORKED OUT. HE SAID IT IS PLANNED THAT THE REPURCHASED STOCK WILL BE APPORTIONED UNDER SOME MUTUALLY ACCEPTABLE FORMULA AMONG THE PRESENT PRINCIPAL STOCKHOLDERS SUCH AS TOKYO MARINE FIRE INS. CO., INDUSTRIAL BANK OF JAPAN, ISHIKAWAJIMA- HARIMA HEAVY INDUSTRIES, AND A FEW OTHERS. HE ALSO OBSERVED THAT WHILE JL HAD NO REAL ALTERNATIVE

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BUT TO AGREE TO SOME FORM OF BUSINESS TIE- UP WITH SANKO, THE
RELATIONSHIP WILL BE INFORMAL AND AS LOOSE AS POSSIBLE.
MIYAZAKI SAID SANKO' S MAIN INTEREST IS IN J)' S OIL TANKER
FLEET. HE NOTED THAT THE COMBINED TANKER FLEETS OF JL AND
SANKO REPRESENT ABOUT 30 PERCENT OF JAPAN' S TOTAL OIL TANKER
CAPACITY.
INGERSOLL

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 26 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TOKYO05175
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730455/aaaajaxt.tel
Line Count: 70
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 TOKYO 4040
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 07 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Nov-2001 by smithrj>; APPROVED <27-Nov-2001 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980206
Subject: SANKO EFFORTS TO GAIN CONTROL OF JAPAN LINES
TAGS: ETRN, JA
To: EB
STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005